United Nations Industrial Development Organization

Distr.
LIMITED

ID/WG.258/9
21 November 1977

ENGLISH

REPORT OF THE FIRST CONSULTATION MEETING ON THE LEATHER AND LEATHER PRODUCTS INDUSTRY

Innsbruck, 7-11 November 1977

id.77-8324

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Preface

The Second General Conference of UNIDO, held at Lima, Peru, in March 1975, declared that in view of the low share of developing countries in total world industrial production, their share should be increased to the maximum possible extent and as far as possible to at least 25 per cent of total world industrial production by the year 2000 (Lima Declaration and Plan of Action on Industrial Development and Co-operation, ID/Conf.3/31, chapter IV, paragraph 28).

The General Assembly, at its seventh special session in September 1975, in its resolution 3362 (S-VII) (section IV, paragraph 1), endorsed the Lima Declaration and Plan of Action on Industrial Development and Co-operation and requested UNIDO to establish a system of continuing consultations in the field of industry between developed and developing countries. The consultations are intended to explore ways and means of bringing about the above objective and a new distribution of industrial activities in the world that will adjust the present economic imbalance between developing and developed countries and allow a more equitable development in the interest of all countries.

The developing countries' share of world production need not be the same in each industrial sector by 2000: in some sectors it may be less than 25 per cent and in others more. The leather and leather products industry is one of those industrial sectors in which there is scope for full and intensive on-the-spot processing of raw materials available in developing countries. It therefore appears probable that in this industrial sector the developing countries' share of world output will be considerably more than 25 per cent in 2000.

The Industrial Development Board decided that consultations on industrial sectors should be organized by UNIDO among member countries. Participants from each member country may include officials of Governments as well as representatives of industry, labour, consumer groups etc. as deemed appropriate by each Government.

Consultations on the Fertilizer Industry and the Iron and Steel Industry were convened by UNIDO in January and February 1977, respectively. The Leather and Leather Products Industry is the third industrial sector to be considered by a consultation meeting.

The Consultation Meeting was preceded by Regional Preparatory Meetings for Asian countries, Latin American countries and African countries convened in Bangkok, from 2-6 May 1977, Santiago, from 6-11 June 1977 and Addis Ababa, from 27 June to 1 July 1977 respectively.

I. ORGANIZATION OF THE MEETING

Introduction

1. The First Consultation Meeting on the Leather and Leather Products Industry was held at the Kongresshaus, Innsbruck, Austria from 7-11 November 1977. The Meeting was attended by over 150 participants representing Government, industry and labour, from 52 countries. Representatives of 17 international organizations also attended the Meeting.

Opening of the Meeting

2. The Meeting was opened by Dr. Alois Lugger, the Mayor of Innsbruck.

3. The Chairman of the Task Force on Agro-based Industries within UNIDO that made preparations for the Meeting then read a message of welcome and opening address on behalf of the Executive Director of UNIDO.

Election of Chairman

4. Mr. Pertti Hellemaa, Finland, was elected Chairman of the Consultation Meeting. On assuming office, he said that the meeting should attempt to find solutions to the problems facing the total leather community of the world. Raw material resources for the industry were limited and were unevenly distributed among countries. The Meeting would consider how the leather industry might develop over the next 25 years for the mutual benefit of all parties.

Election of four Vice-Chairmen

5. The following Vice-Chairmen were elected:

Mr. Ricardo P. Hermoso, Philippines
Mr. Nestor Martinez, Uruguay
Mr. Saïd Naji, Tunisia
Professor Dr. Günter Reich, German Democratic Republic

6. It was agreed that the Chairman and four Vice-Chairmen would constitute the Bureau of the Meeting.

Adoption of the Agenda

7. The Meeting adopted the following agenda:

1. Election of officers
2. Adoption of the agenda
3. Consideration of the priority issues:

(a) Prospects for the growth of the leather and leather products industry up to 2000 throughout the world;

(b) How the utilization of existing capacity in the leather and leather products industry in developed and developing countries might be improved;

(c) A special programme to assist the least-developed countries and other late-comers that have potential to establish a leather industry;

(d) Action required as a follow-up to the First Consultation Meeting.

4. Adoption of the report.

II. PROSPECTS FOR THE GROWTH OF THE LEATHER AND LEATHER PRODUCTS INDUSTRY UP TO 2000 THROUGHOUT THE WORLD

Prospects for Growth

8. The Meeting noted that the growth of world leather and leather goods production will continue to be constrained by the inelasticity of supply of raw materials which UNIDO had estimated will increase by about 1.4 per cent a year in the period 1975-2000 - about the same annual rate as in the previous 15 years. The uneven geographical distribution of supplies of hides and skins entering world trade was also noted. The greatest scope for increasing supplies was in the developing countries, if meat consumption were to increase substantially; in those countries which have still not reached a high level of development in meat production, improved animal husbandry, slaughtering techniques, curing, preservation, sorting and tanning practices could both help increase the supply of leather and improve its quality. There were losses of unprocessed raw materials and a certain lack of quality of the raw material; these were world-wide problems that must be solved as a matter of urgency.

Growth Projections

9. Several participants warned that the growth projections of raw materials outlined in the UNIDO Draft Study[1/] might not materialize; it was suggested that the Draft Study should be revised and up-dated. As regards bovine hides,

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1/ One participant, on behalf of the Group D countries, observed that certain statements appearing on pages 117 and 167 of the report should be omitted in the revised version.

it was pointed out that in the country that was the main supplier of international markets, cattle production had reached a cyclical peak in 1975 and was unlikely to reach that high level again before 1985. A similar trend was experienced in some other countries that were major producers of bovine hides. Their ability to expand cattle production depended on regaining traditional meat export markets in developed countries. The factors determining the future world supply of hides and skins should therefore be further examined by FAO and UNIDO.

Tanning Projections

10. As regards tanning activity, the Meeting considered the suggestion made in the UNIDO Draft Study that by 2000 developing countries could account for 65 per cent of world tanning activity. It was felt by many participants that such projections could be only approximate. Some doubts were raised about the availability of supplies of hides on the scale needed to achieve the level of tanning activity projected for developing countries. Certain participants felt that the recent decline in tanning activity in some developed countries would continue and that tanning activity would increase further in developing countries as a result of that trend and the growth in their own requirements.

Different Levels of Capacity

11. As regards leather production, participants from developed countries supported the argument of the UNIDO Draft Study that there was already over-capacity existing in the world. They felt that the over-capacity disorganized the market, had a negative influence on the world tanning industry, and seriously compromised the economic returns. It was emphasized that not all the developing countries were the same and that they needed different treatment. Developing countries could be divided into four quite different groups: (i) those countries that had abundant raw material supplies and a modern, efficient, viable and growing leather industry; (ii) those countries that had raw materials but no leather industry; (iii) those countries that had no raw materials but had built-up leather and leather products industries on private capital; (iv) those countries that had no raw materials but were beginning to build up, or were thinking of building up, leather industries or leather product industries with United Nations or other international help.

Raw Materials

12. As regards raw materials, the participants from developed countries felt that they were a world commodity and that the quantities not utilized locally should be made freely available to the world industry.

13. Participants from the developing countries did not share that point of view. They stated that they had a basic right to converting all the raw materials in their own country into finished products and also to import raw material from other sources. It was not clear whether there was in fact excess capacity established in the tanning sector. The under-utilization of capacity in some countries could well be due to reasons other than short supply of raw material.

Leather Footwear

14. As regards leather footwear, the Meeting considered the three alternative paths of development of the industry over the period up to 2000 suggested by UNIDO. The participants from developing countries favoured the first alternative, which would give the developing countries a 65 per cent share of world output of leather footwear in 2000. That would require full use of their indigenous raw materials, significant imports of hides and skins from the developed countries and a slight decline in footwear production in developed countries.

15. Many participants from developed countries expressed reservations about the Meeting selecting any particular path of development of the industry throughout the world up to 2000. They cited as a reason the incompleteness and inadequacy of the data upon which the UNIDO alternatives were based and the high degree of uncertainty of projections extending 25 years ahead. They also opposed suggestions that would imply an internationally planned transfer of footwear manufacturing capacity from developed countries to developing countries. They stressed the adverse economic and social implications for their own industries and countries. They proposed an approach that emphasized consideration of the conditions under which production in developing countries could be extended, mainly for local consumption.

16. Participants from a number of developed countries pointed out that their national production of leather footwear had already declined to a considerable extent as a result of a growing volume of imports. It was pointed out that although a high proportion of those imports came from a few developing countries,

the other developing countries did not significantly contribute to those imports. It was stated that a point had been reached in a few developed countries beyond which a further decline in the leather and leather products industry would be unacceptable.

Leather Products Industry: its future development in the non-industrialized countries, and harmonization of world demand and supply

17. As regards other leather products, the Meeting noted that those had become of greater importance in most developed countries. Whereas shoes accounted for 80 per cent of the consumption of leather ten years before, footwear now accounted for perhaps 50 per cent of total leather consumption. It was therefore important for UNIDO to obtain more detailed information on the demand for, production of and marketing of leather products other than shoes for consideration at a later date.

18. Participants from a number of developing countries pointed out that there was no alternative for them except to fully utilize the hides and skins available within their own countries and to this end establish capacities both for leather tanning and the manufacture of leather footwear and leather goods. Some countries, besides using their own indigenous material, were already importing significant volumes from other sources.

19. The development of the leather industry met both the economic and social development objectives of the developing countries and any attempts to hinder that natural growth would have adverse effects on their national economies. The representatives of the developing countries reiterated their willingness to co-operate and collaborate with the developed countries and amongst themselves in the spirit of the Lima Declaration and Plan of Action. To that end they invited equity capital, establishment of joint ventures, promotion of technical collaboration and joint marketing arrangements.

20. The aspiration of developing countries to build up their own leather and leather products industry was understood and accepted by participants from developed countries who, nevertheless, stressed the need for harmonious world development based on the principles of co-operation and reciprocity. All participants appreciated the need for increasing international co-operation to achieve that goal. One way to do that was to expand the world market for leather and leather products, which would help to make further use of available tanning capacity. Competing synthetic materials had become more expensive to produce owing to the increase in oil prices. There was therefore an opportunity to promote the natural advantages of leather.

Basis for Planning Long-Term Expansion of Production

21. The participants at the Consultation Meeting considered the basis on which developing countries should plan the long-term expansion of their production and suggested the following:

(a) Developing countries will continue the present trend of progressively converting to finished leather, leather footwear and other leather products, the raw material available indigenously and such raw material as could be imported from other sources;

(b) The implication is not that there should be no progress in the developed countries or that all capacity will be transferred from developed to developing countries. Given, however, the basic advantages of plentiful availability of raw material as well as skilled and semi-skilled labour, it is recognized that growth in the leather industry will be predominantly in the developing countries;

(c) Developed countries will continue to provide technological assistance, training and other inputs best designed to hasten this growth in developing countries;

(d) Developed countries will provide all appropriate assistance to the developing countries by further developing international co-operation based on mutual benefit in order to enable them to have access to international markets.

III. MEASURES NEEDED TO ENSURE OPTIMUM USE OF EXISTING CAPACITY FOR TANNING AND FOR THE PRODUCTION OF LEATHER FOOTWEAR AND OTHER LEATHER PRODUCTS: A SPECIAL PROGRAMME TO ASSIST THE LEAST-DEVELOPED COUNTRIES AND OTHER LATE-COMERS THAT HAVE POTENTIAL TO ESTABLISH A LEATHER INDUSTRY

22. Participants at the Consultation Meeting considered the problems confronted in obtaining maximum utilization of existing capacities in developed and developing countries and the basis on which developing countries should plan the long-term expansion of their production. Participants felt that action was required in the following areas to improve capacity utilization and further develop the leather and leather products industry:

(a) More efficient recovery of available raw materials, improvement of the quality of hides and skins, and the possible utilization of additional raw materials;

(b) Independent advice on the establishment of new production facilities in developing countries;

(c) Improvement of working conditions and productivity in the tanning industry;

(d) Technical collaboration and/or joint ventures for the management and operation of plants established in developing countries, and the investment conditions required;

(e) Increased attention to environmental considerations;

(f) Elimination of tariffs and other restraints on trade in hides and skins, leather and leather products;

(g) Improved marketing of leather footwear and other leather products produced in developing countries;

(h) A special programme for the least-developed countries;

(i) Establishment of regional centres for technical information, training and advisory services.

Hides and Skins Improvement

23. The existence of some national and international specifications for hides and skins and various types of leather was noted. Appreciation was expressed for the work of FAO and ISO in this field. Nevertheless, it was felt that much more could be done in the field of hides and skin improvement throughout the world. The Meeting took note of the efforts of FAO in that field and in particular of the work currently being done to improve the inadequate statistical intelligence base so as to permit a more meaningful analysis of developments in the international market for hides, skins and derived products. It was also noted that the FAO Ad Hoc Inter-Governmental Consultation on Hides and Skins was planned for the second half of 1978.

24. It was suggested that it was advantageous to process hides and skins at the source so as to eliminate possible defects during transportation and reduce transport costs. Several proposals were made concerning ways to make the maximum use of available raw materials in developing countries. One suggestion was that a network of abattoirs should be set up in developing countries on the basis of a model prepared by experts. Another was that mobile demonstration hide and skin improvement units should be provided in developing countries to help them improve the quality and quantity of hides and skins available in rural areas.

25. The view was expressed by some participants that certain tanning capacities built in recent years were in excess of raw material availability and that they contributed to the global problems of over-capacity in the industry. Countries that were establishing an industry for the first time were usually unacquainted with suitable sources of information and should be able to receive assistance from UNIDO on that matter.

Information on Equipment

26. Participants from developing countries stressed the need to have access to machinery and equipment, chemicals, and other ancillary material at competitive prices. One suggestion was that an institution, such as a centre, should be established to make available information on equipment and concerning terms and conditions that the buyer could meet.

Social and Economic Conditions of Workers

27. It was stated that the social and economic conditions of workers in the leather industry in some countries needed to be improved. It was suggested that this matter might be taken up by ILO.

Productivity

28. As regards the future development of the tanning industry, the importance of raising productivity was stressed. Very high levels of productivity had been reached in some countries. In other countries, improvements in wages, technology and working conditions could help to raise productivity towards those levels.

Joint Ventures

29. The view was expressed that a joint venture with a partner from a developed country was often one way to ensure the successful construction and operation of new tanneries or leather products plants in developing countries and the successful marketing of their products. A number of participants from developed countries indicated their willingness to consider such arrangements under suitable and mutually acceptable conditions. It was also recognized that other parties might prefer an agreement that involved technical collaboration but no investment. Several participants offered such collaboration. It was therefore suggested that UNIDO should prepare a list of potential partners for technical collaboration and of potential sources for the training of indigenous personnel for the management, technical operation and maintenance of plants.

Environmental Requirements

30. It was suggested that it was particularly important for the industry that projects were appropriate to environmental requirements, since that would provide some economic advantages and could ensure that the project would be sustained over a long period. UNEP was examining that problem for the leather and other agro-based industries. It was pointed out that the economics of tanning could perhaps be improved in the future by re-cycling to avoid the production of large quantities of waste material.

Tariff and Non-Tariff Barriers

31. Information prepared by UNCTAD on existing tariff and non-tariff barriers included in the UNIDO Draft Study showed that tariffs on finished leather products were higher than on raw materials and increased with the degree of manufacture. Furthermore, some developed countries that granted preferences to developing countries under the Generalized System of Preferences had declared that leather shoes were sensitive products, thus limiting the benefits offered to developing countries. Current commercial policies clearly affected the development of the leather and leather products industry, but more information was needed to assess the effect of those policies on trade between developing and developed countries in both directions.

Multinational Trade Negotiations

32. Leather and leather products were one of the groups of products of particular interest to developing countries in the multinational trade negotiations (Tokyo Round) that were taking place under the auspices of GATT. The Declaration that had initiated the negotiations contained a reference to the possibility of giving differential and more favourable treatment to products of particular export interest to developing countries. Those negotiations could also take into account the view, expressed by some participants, that the elimination of tariffs and other barriers to trade would contribute to the healthy development of the world leather and leather products industry.

Marketing and Distribution

33. UNCTAD studies showed that the marketing and distribution of the hides and skins, leather, and leather products exported by developing countries were to a large extent in the hands of the agents in the importing countries and that, for shoes and some other leather products, the price to the consumer in the developed country could be as much as four times the ex-factory price in the developing country of production. It was pointed out that in general the wholesale and retail margins in developed countries were very high.

34. There was a need to examine ways in which developing countries could establish their own marketing organizations and thereby increase the return on the leather products they exported. Ways in which developing countries could improve marketing of leather and leather products were considered. It was important in the leather products industry to be able to supply the right product at the right time; the industry was one in which quality and fashion were important.

35. There was a need for developing countries to obtain reliable market intelligence and fashion feed-back. Some participants expressed the view that fashion information was best purchased on a commercial basis from specialized sources such as designers or fashion consultants or obtained from trade fairs and journals.

Special Programme of Assistance for the Least-Developed Countries

36. It was suggested that a special programme of assistance should be developed for least-developed countries that had suitable raw material resources. Many least-developed countries would need to establish export-oriented industries and would require assistance in marketing their products. Some participants from developed countries were prepared to support such a programme.

Technical Assistance

37. Many participants from developed countries expressed the willingness of their different institutions and organizations to co-operate fully with the developing countries in providing technical assistance in several areas of the leather and leather products industry. The needs of the least-developed countries were to be especially considered.

Regional Co-operation

38. Some developing countries also described their existing national institutions in the sector under discussion and described technical assistance that could be given to other developing countries in livestock production, leather and leather products, standardization, tanning, engineering, training, marketing, and other areas.

Establishment of a Leather and Leather Industry Panel

39. It was stated by several participants that the establishment of a panel (or a similar body) as suggested in the issue paper presented by the UNIDO secretariat would be quite helpful, especially in the field of collection and dissemination of information. It was also suggested that the terms of reference of such a panel or body would need to be considered by the Industrial Development Board and that resources would have to be allocated for its establishment. The view was also expressed that it might be useful if the terms of reference of the proposed panel also allowed for the provision of marketing information.

40. It was also noted that there seemed to be a lack of a central mechanism to collect information on various kinds of technical assistance aid provided by various organizations of the United Nations system and by other international, governmental or non-governmental organizations. It was understood that the panel or body mentioned above could also play a role in the collection of such information and its dissemination to developing countries on types of aid available from different sources. A report on the sources of such assistance should be prepared by UNIDO for the next Consultation Meeting.

Difficulties Faced in the Development of the Leather and Leather Products Industry

41. Several developing countries described the difficulties they were facing in the development of their leather and leather products industries. Those difficulties included lack of expertise in the design of industrial projects and in chemical engineering, and access to the markets of the developed countries. The problem with respect to sources of chemicals for the leather and leather products industry was particularly stressed by one participant who suggested that UNIDO might give attention to that question.

42. The technological gap between developing and developed countries at large was stressed; it was also mentioned that, in many cases, the technical training of personnel in developed countries was not applicable to the needs of developing countries.

Establishment of a Management Training Institute

43. It was proposed that a management training institute should be established with the assistance of the appropriate United Nations agencies for the benefit of developing countries. Co-operation between UNIDO and existing leather technology centres or organizations was also recommended, and it was proposed that co-operation between developing and developed countries in the transfer of technology for the leather and leather products industry should be strengthened. It was proposed that UNIDO should convene a meeting of the representatives of different technological research institutes for that purpose.

Establishment of Technological Laboratories and Technical Training Centres

44. It was proposed that technological laboratories and technical training centres be set up in the various regions to facilitate an exchange of information, advice and technical training on leather and leather products between developing and developed countries.

IV. ACTION REQUIRED TO FOLLOW-UP THE CONSULTATION MEETING

45. The participants noted that when the Industrial Development Board had authorized the convening of the Meeting, it had also authorized the carrying out of follow-up action. It was recommended that the following actions would be appropriate:

Survey of Raw Materials

46. UNIDO, in collaboration with FAO and other appropriate agencies, should with the concurrence of the countries concerned, make a survey of raw material availability in member countries. The survey should utilize any studies that had been conducted within countries either by themselves or by any other agency. The survey should cover, inter alia, the following:

(a) Current and future availability and growth trends;

(b) Wastage and measures needed to reduce wastage;

(c) An estimate of monetary and technical investments and personnel needed and possible sources of those inputs.

Specific Action Programme to Increase Raw Material Availability

47. Without waiting for the detailed survey outlined above, UNIDO, in collaboration with FAO, should ask member countries to submit specific proposals designed to increase current raw material availability and prevent losses due to wasteful practices. UNIDO and FAO should set up a system that could deal effectively with such proposals. Upon completion of the survey mentioned in paragraph 46, UNIDO should be able to draw up a specific action programme to implement measures to reduce wastage and set up additional abattoirs, carcass-recovery centres and hide-improvement devices in the developing countries.

Collection of Statistics Related to the Leather and Leather Products Sectors

48. UNIDO, in collaboration with FAO and other appropriate agencies, should, with the concurrence of the countries concerned, collect and correlate basic statistics relating to the leather and leather products sectors. Where such statistics do not exist, UNIDO, with the help of FAO and appropriate agencies, should assist member countries in setting up mechanisms to collect them.

Setting up of Regional Technological Laboratories, Technical Training Centres, Information Centres on Leather and Leather Products

49. UNIDO, in collaboration with other international organizations pursuing the same aims, should assist member countries in the setting up of regional technological laboratories, technical training centres and regional information centres on leather and leather products. These centres would be specifically designed to cater to the needs of the developing countries on basic technologies, machinery and processing materials, designs, products, and markets. There should be at least two main centres each for Asia and Africa, and these centres should, as far as possible, be tied up to production units. Where there were already technology centres, such centres should, with the assistance of UNIDO, increase their inter-action to the benefit of all concerned.

Consultancy Reference Centres

50. UNIDO should endeavour to have set up consultancy reference centres for assisting developing countries, and/or individual units to plan and execute specific projects and programmes.

Working and Living Conditions

51. UNIDO should make recommendations to member countries on measures to harmonize working conditions in the leather and leather products industry and to harmonize living standards through an equitable redistribution of incomes earned within that sector.

Facilities for Upgrading Leather and Leather Products

52. UNIDO should assist member countries desiring to set up Common Facility Centres or Integrated Leather Complexes for upgrading leather and leather products production from the small-scale and cottage producers.

Special Programme for Least-Developed Countries

53. UNIDO should develop a special programme of assistance for least-developed countries that have suitable raw material resources and that would need to establish export-oriented industries and would require assistance in marketing their products.

Leather and Leather Industry Panel

54. Drawing upon participants in the Consultation Meeting and with due regard to presentation of the various interested parties, UNIDO should set up a panel to act as a steering group to oversee progress in the implementation of the recommendations made above. The panel should meet frequently, preferably once every six months, and should report to a second Consultation Meeting on the Leather and Leather Products Industry, the date of which would be decided by the Industrial Development Board. As noted in paragraph 39, the establishment of such a panel and the determination of its terms of reference should be referred to the Industrial Development Board.

Report of the First Consultation Meeting on Leather and Leather Products Industry

55. The Consultation Meeting recommended that its report be submitted for the information of and consideration by all interested parties, including the Industrial Development Board and the countries participating in the activities of UNIDO.

Adoption of the Report

56. This report was unanimously adopted by the Meeting on Friday, 11 November 1977.